

South Haven Township and Casco Township
Water and Sewage Treatment Authority
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Haven Township and Casco Township
Water and Sewage Treatment Authority

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the remaining fund information of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The South Haven Township and Casco Township Water and Sewage Treatment Authority has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the South Haven Township and Casco Township Water and Sewage Treatment Authority's basic financial statements. The supplementary data, as listed in the contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplementary data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

February 6, 2009



1958-2008

BASIC FINANCIAL STATEMENTS

South Haven Township and Casco Township Water and Sewage Treatment Authority

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 371,758
Receivables, net	<u>355,693</u>
Total current assets	<u>727,451</u>
Noncurrent assets:	
Receivables, net	4,493,204
Deferred charges	120,767
Capital assets, net of accumulated depreciation	<u>23,207,554</u>
Total noncurrent assets	<u>27,821,525</u>
Total assets	<u>28,548,976</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	231,907
Current maturities of long-term debt	<u>1,155,000</u>
Total current liabilities	1,386,907
Noncurrent liabilities - long-term debt	<u>21,537,807</u>
Total liabilities	<u>22,924,714</u>
NET ASSETS	
Invested in capital assets, net of related debt	514,747
Restricted for debt service	<u>5,109,515</u>
Total net assets	<u><u>\$ 5,624,262</u></u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority

STATEMENT OF ACTIVITIES

Year ended June 30, 2008

	<i>Governmental activities</i>
EXPENSES	
Public works	\$ 674,568
Interest	<u>1,051,397</u>
Total expenses	<u>1,725,965</u>
PROGRAM REVENUES	
Customer charges	770,284
Fees and permits	107,245
Special assessments	931,542
Interest	<u>51,025</u>
Total program revenues	<u>1,860,096</u>
CHANGE IN NET ASSETS	134,131
NET ASSETS - BEGINNING	<u>5,490,131</u>
NET ASSETS - ENDING	<u><u>\$ 5,624,262</u></u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority

COMBINING BALANCE SHEET- governmental funds

June 30, 2008

	Debt Service		
	1998	2000	2004 (95/97)
	Series	Series	Series
	Fund	Fund	Fund
ASSETS			
Cash	\$ 215,228	\$ 9,200	\$ 20,037
Receivables	1,029,107	2,044,401	530,351
Due from other funds	-	-	63,499
	<u>-</u>	<u>-</u>	<u>63,499</u>
Total assets	<u>\$ 1,244,335</u>	<u>\$ 2,053,601</u>	<u>\$ 613,887</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 2,719	\$ 5,833	\$ 2,807
Due to other units	-	40,000	-
Due to other funds	-	-	-
Deferred revenue	<u>943,267</u>	<u>1,910,501</u>	<u>489,221</u>
Total liabilities	945,986	1,956,334	492,028
Fund balance - unreserved, undesignated	<u>298,349</u>	<u>97,267</u>	<u>121,859</u>
Total liabilities and fund balances	<u>\$ 1,244,335</u>	<u>\$ 2,053,601</u>	<u>\$ 613,887</u>

<u>2004 (99)</u>	<u>2006</u>	<u>Nonmajor</u>	
<u>Series</u>	<u>Series</u>	<u>fund</u>	
<u>Fund</u>	<u>Fund</u>	<u>Capital</u>	<u>Total</u>
		<u>projects</u>	
\$ -	\$ 115,354	\$ 11,939	\$ 371,758
840,525	404,513	-	4,848,897
-	-	-	63,499
<u>\$ 840,525</u>	<u>\$ 519,867</u>	<u>\$ 11,939</u>	<u>\$ 5,284,154</u>

\$ 2,682	\$ 227	\$ 11,939	\$ 26,207
-	-	-	40,000
63,499	-	-	63,499
<u>774,344</u>	<u>371,167</u>	<u>-</u>	<u>4,488,500</u>
840,525	371,394	11,939	4,618,206
-	148,473	-	665,948
<u>\$ 840,525</u>	<u>\$ 519,867</u>	<u>\$ 11,939</u>	<u>\$ 5,284,154</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING BALANCE SHEET- governmental funds (Continued)

June 30, 2008

Total fund balances	\$ 665,948
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:	
Bond issuance costs are expenditures in the funds but deferred on the statement of net assets.	120,767
Capital assets used in <i>governmental activities</i> are not financial resources and are not reported in the funds.	23,207,554
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	4,488,500
Accrued interest is not due and payable in the current period and is not reported in the funds.	(165,700)
Long-term liabilities, including bonds payable and advances from other governmental units, are not due and payable in the current period and are not reported in the funds.	<u>(22,692,807)</u>
Net assets of <i>governmental activities</i>	<u>\$ 5,624,262</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - governmental funds
Year ended June 30, 2008

	Debt Service		
	1998	2000	2004 (95/97)
	Series	Series	Series
	Fund	Fund	Fund
REVENUES			
Customer charges - debt service	\$ 146,380	\$ 325,633	\$ 149,881
Fees and permits	331,265	162,021	142,242
Interest	63,530	146,100	37,194
Other - special assessments	90,176	232,352	75,599
Total revenues	<u>631,351</u>	<u>866,106</u>	<u>404,916</u>
EXPENDITURES			
Public works	13,909	29,835	14,359
Debt service:			
Principal	150,000	400,000	325,000
Interest and fees	251,863	462,025	89,891
Total expenditures	<u>415,772</u>	<u>891,860</u>	<u>429,250</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	<u>215,579</u>	<u>(25,754)</u>	<u>(24,334)</u>
OTHER FINANCING SOURCES (USES)			
Repayment of advances from townships	(21,400)	(21,400)	(21,400)
Operating transfer in	-	-	-
Operating transfer out	(22,412)	(7,695)	(7,695)
Total other financing sources (uses)	<u>(43,812)</u>	<u>(29,095)</u>	<u>(29,095)</u>
NET CHANGE IN FUND BALANCES	171,767	(54,849)	(53,429)
FUND BALANCES - BEGINNING	<u>126,582</u>	<u>152,116</u>	<u>175,288</u>
FUND BALANCES - ENDING	<u>\$ 298,349</u>	<u>\$ 97,267</u>	<u>\$ 121,859</u>

<u>2004 (99)</u>	<u>2006</u>	<u>Nonmajor</u>	
<u>Series</u>	<u>Series</u>	<u>fund</u>	
<u>Fund</u>	<u>Fund</u>	<u>Capital</u>	<u>Total</u>
		<u>projects</u>	
\$ 136,787	\$ 11,603	\$ -	\$ 770,284
148,315	1,562	-	785,405
58,413	29,357	-	334,594
71,962	35,136	-	505,225
<u>415,477</u>	<u>77,658</u>	<u>-</u>	<u>2,395,508</u>
13,712	1,163	43,375	116,353
175,000	10,000	-	1,060,000
221,192	23,607	-	1,048,578
<u>409,904</u>	<u>34,770</u>	<u>43,375</u>	<u>2,224,931</u>
5,573	42,888	(43,375)	170,577
-	-	-	(64,200)
-	42,442	43,375	85,817
(5,573)	-	(42,442)	(85,817)
<u>(5,573)</u>	<u>42,442</u>	<u>933</u>	<u>(64,200)</u>
-	85,330	(42,442)	106,377
-	63,143	42,442	559,571
<u>\$ -</u>	<u>\$ 148,473</u>	<u>\$ -</u>	<u>\$ 665,948</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - governmental funds (Continued)
Year ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 106,377
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$561,753) exceeded capital assets acquired (\$27,396) in the current period.	(534,357)
Repayments of advances from other governmental units use current financial resources in governmental funds but decrease long-term liabilities in the statement of net assets.	64,200
Bond issuance costs are recorded as expenditures in the funds when incurred. These costs are expensed over the life of the outstanding bonds in the statement of activities.	(35,377)
Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,060,000
Special assessments are not available to pay for current-period expenditures and are deferred in the funds. This is the net change in the amounts deferred this year.	(535,412)
Interest on long-term liabilities is recorded when due in the funds but accrued on the statement of net assets. This is the decrease in accrued interest in the current period.	<u>8,700</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 134,131</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Haven Township and Casco Township Water and Sewage Treatment Authority, Michigan (the Authority), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Authority. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other revenue items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to claims and judgments are recorded only when payment is due.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Authority reports the following major governmental funds:

1998 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1998.

2000 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1999.

2004 Refunding Series (1995 & 1997) Fund - this fund is used to record the refunding and payment of principal and interest on debt related to the bonds originally issued in 1995 and 1997.

2004 Refunding Series (1999) Fund - this fund is used to record the refunding and payment of principal and interest on debt related to the bonds originally issued in 1999.

2006 Series Fund - this fund is used to record the payment of principal and interest on debt related to the bonds issued in 2006.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Authority considers all receivables to be fully collectible.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iii) *Deferred charges* - The Authority has elected to prospectively account for bond issuance costs as deferred charges on the statement of net assets and to amortize these costs over the life of the related long-term liabilities.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Authority elected to account for infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following useful lives:

Water distribution system	50 years
Sewage collections system	50 years

The water distribution and sewage collection systems include both capitalized interest and purchased capacity fees, which will be depreciated over the life of the systems.

v) *Deferred revenue* - In the fund financial statements, deferred revenue currently consists of amounts unavailable for revenue recognition, in that these amounts are not expected to be received within 60 days of the end of the fiscal year.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - CASH:

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2008, \$262,979 of the Authority's bank balances of \$371,758 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Authority believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - RECEIVABLES:

Receivables as of year end for the Authority's individual funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Special assessments</i>	<i>Interest</i>	<i>Total</i>	<i>Current portion</i>
1998 Series	\$ 12,379	\$ 987,361	\$ 29,367	\$ 1,029,107	\$ 81,136
2000 Series	27,503	1,945,764	71,134	2,044,401	133,900
2004 Series (1995 & 1997)	12,679	500,283	17,389	530,351	41,130
2004 Series (1999)	11,591	800,529	28,405	840,525	66,181
2006 Series	985	389,476	14,052	404,513	33,346
Totals	<u>\$ 65,137</u>	<u>\$ 4,623,413</u>	<u>\$ 160,347</u>	<u>\$ 4,848,897</u>	<u>\$ 355,693</u>

All receivables are considered to be fully collectible.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Capital assets being depreciated:				
Water distribution system	\$ 11,140,880	\$ -	\$ -	\$ 11,140,880
Sewage collection system	<u>16,946,776</u>	<u>27,396</u>	<u>-</u>	<u>16,974,172</u>
Subtotal	<u>28,087,656</u>	<u>27,396</u>	<u>-</u>	<u>28,115,052</u>
Less accumulated depreciation for:				
Water distribution system	(1,597,871)	(222,818)	-	(1,820,689)
Sewage collection system	<u>(2,747,874)</u>	<u>(338,935)</u>	<u>-</u>	<u>(3,086,809)</u>
Subtotal	<u>(4,345,745)</u>	<u>(561,753)</u>	<u>-</u>	<u>(4,907,498)</u>
Total capital assets being depreciated, net	<u>\$ 23,741,911</u>	<u>\$ (534,357)</u>	<u>\$ -</u>	<u>\$ 23,207,554</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES:

Long-term liabilities at June 30, 2008, are comprised of the following individual issues:

Special assessment bonds payable:

\$6,335,000 1998 limited tax general obligation bonds, due in annual installments of \$150,000 to \$600,000 through 2019; interest at 4.25% to 6.25% \$ 5,335,000

\$10,390,000 2000 limited tax general obligation bonds, due in annual installments of \$310,000 to \$1,250,000 through 2021; interest at 5.00% to 7.00% 8,355,000

\$3,410,000 2004 refunding bond (1995 & 1997), due in annual installments of \$70,000 to \$325,000 through 2017; interest at 2.75% to 4.00% 2,275,000

\$5,575,000 2004 refunding bond (1999), due in annual installments of \$40,000 to \$480,000 through 2020; interest at 2.00% to 4.10% 5,130,000

\$435,000 2006 limited tax general obligation bonds, due in annual installments of \$10,000 to \$25,000 through 2027; interest at 5.49% 425,000

Subtotal 21,520,000
Less unamortized deferred refunding charges (56,119)

Total bonds payable 21,463,881

Long-term advances from member townships:

Due to Casco Township 448,497
Due to South Haven Township 780,429

Total long-term advances 1,228,926

Total long-term liabilities \$ 22,692,807

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
LTGO 1998 series	\$ 5,485,000	\$ -	\$ (150,000)	\$ 5,335,000	\$ 185,000
LTGO 2000 series	8,755,000	-	(400,000)	8,355,000	400,000
LTGO 2004 refunding series	2,600,000	-	(325,000)	2,275,000	325,000
LTGO 2004 refunding series	5,305,000	-	(175,000)	5,130,000	225,000
LTGO 2006 series	435,000	-	(10,000)	425,000	20,000
	22,580,000	-	(1,060,000)	21,520,000	1,155,000
Amounts deferred on refunding	(67,638)	-	11,519	(56,119)	-
	22,512,362	-	(1,048,481)	21,463,881	1,155,000
Long-term advances	1,293,126	-	(64,200)	1,228,926	-
Total long term liabilities	\$ 23,805,488	\$ -	\$ (1,112,681)	\$ 22,692,807	\$ 1,155,000

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued):

The long-term advances are payable from future cash flows as they become available and are recorded at zero interest.

Debt service requirements for bonds payable at June 30, 2008, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2009	\$ 1,155,000	\$ 993,326
2010	1,225,000	938,591
2011	1,290,000	880,730
2012	1,690,000	825,619
2013	1,785,000	752,240
2014 - 2018	8,960,000	2,546,152
2019 - 2023	5,335,000	491,430
2024 - 2027	<u>80,000</u>	<u>8,784</u>
Totals	<u>\$ 21,520,000</u>	<u>\$ 7,436,872</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Interfund receivables and payables represent temporary cash advances of unrestricted funds. Fund transfers were made to cover unbonded capital projects costs and to prevent deficits in various debt service funds.

NOTE 7 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - UNCERTAINTY:

The Authority's cash flows for the year ending June 30, 2008, may not be sufficient to make required debt service payments when they are due. The receipt of revenues beyond current levels is contingent upon additional customer connections and collections, which are not within the Authority's control. Ultimately, any cash shortfall will be payable by the constituent Townships under the terms of their full faith and credit pledges associated with the bond issues.

SUPPLEMENTARY DATA

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES -
As allocated to the Township of South Haven
June 30, 2008

	<i>Debt Service</i>	
	<i>1998</i>	<i>2000</i>
	<i>Series</i>	<i>Series</i>
	<i>Fund</i>	<i>Fund</i>
ASSETS		
Cash	\$ 210,876	\$ -
Receivables	697,521	1,047,450
Due from other funds	-	-
	<u>-</u>	<u>-</u>
Total assets	<u>\$ 908,397</u>	<u>\$ 1,047,450</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Payables	\$ 2,719	\$ 5,833
Due to other units	-	24,000
Due to other funds	-	1,518
Deferred revenue	628,392	968,861
	<u>628,392</u>	<u>968,861</u>
Total liabilities	631,111	1,000,212
Fund balances - unreserved, undesignated	<u>277,286</u>	<u>47,238</u>
Total liabilities and fund balances	<u>\$ 908,397</u>	<u>\$ 1,047,450</u>

<i>2004 (95/97) Series Fund</i>	<i>2004 (99) Series Fund</i>	<i>2006 Series Fund</i>	<i>Capital Project</i>		<i>Total</i>
			<i>2006 Construction Fund</i>	<i>Unbonded Construction Fund</i>	
\$ -	\$ -	\$ 115,354	\$ -	\$ 11,939	\$ 338,169
319,690	840,525	404,513	-	-	3,309,699
63,499	-	-	-	-	63,499
<u>\$ 383,189</u>	<u>\$ 840,525</u>	<u>\$ 519,867</u>	<u>\$ -</u>	<u>\$ 11,939</u>	<u>\$ 3,711,367</u>
\$ 2,807	\$ 2,682	\$ 227	\$ -	\$ 11,939	\$ 26,207
-	-	-	-	-	24,000
90,291	63,499				155,308
290,091	774,344	371,167	-	-	3,032,855
<u>383,189</u>	<u>840,525</u>	<u>371,394</u>	<u>-</u>	<u>11,939</u>	<u>3,238,370</u>
-	-	148,473	-	-	472,997
<u>\$ 383,189</u>	<u>\$ 840,525</u>	<u>\$ 519,867</u>	<u>\$ -</u>	<u>\$ 11,939</u>	<u>\$ 3,711,367</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES - As allocated to the
Township of Casco
June 30, 2008

	<i>Debt Service</i>			<i>Total</i>
	<i>1998 Series Fund</i>	<i>2000 Series Fund</i>	<i>2004 (95/97) Series Fund</i>	
ASSETS				
Cash	\$ 4,352	\$ 9,200	\$ 20,037	\$ 33,589
Due from other funds	-	1,518	90,291	91,809
Receivables	<u>331,586</u>	<u>996,951</u>	<u>210,661</u>	<u>1,539,198</u>
Total assets	<u>\$ 335,938</u>	<u>\$ 1,007,669</u>	<u>\$ 320,989</u>	<u>\$ 1,664,596</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other units	\$ -	\$ 16,000	\$ -	\$ 16,000
Deferred revenue	<u>314,875</u>	<u>941,640</u>	<u>199,130</u>	<u>1,455,645</u>
Total liabilities	314,875	957,640	199,130	1,471,645
Fund balances - unreserved, undesignated	<u>21,063</u>	<u>50,029</u>	<u>121,859</u>	<u>192,951</u>
Total liabilities and fund balances	<u>\$ 335,938</u>	<u>\$ 1,007,669</u>	<u>\$ 320,989</u>	<u>\$ 1,664,596</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - As allocated to the Township of South Haven
Year ended June 30, 2008

	Debt Service		
	1998	2000	2004 (95/97)
	Series	Series	Series
	Fund	Fund	Fund
REVENUES			
Customer charges - debt service	\$ 86,022	\$ 104,166	\$ 97,405
Fees and permits	322,525	56,707	134,886
Interest	41,847	68,758	22,023
Other - special assessments	57,937	113,132	42,809
Total revenues	508,331	342,763	297,123
EXPENDITURES			
Public works	8,624	10,442	9,764
Debt service:			
Principal	93,000	140,000	221,000
Interest and fees	156,155	161,709	61,126
Total expenditures	257,779	312,151	291,890
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	250,552	30,612	5,233
OTHER FINANCING SOURCES (USES)			
Operating transfer in	-	-	-
Operating transfer out	(13,895)	(2,693)	(5,233)
Total other financing sources (uses)	(13,895)	(2,693)	(5,233)
NET CHANGE IN FUND BALANCES	236,657	27,919	-
FUND BALANCES - BEGINNING	40,629	19,319	-
FUND BALANCES - ENDING	\$ 277,286	\$ 47,238	\$ -

<i>Capital Project</i>				
<i>2004 (99)</i>	<i>2006</i>	<i>2006</i>	<i>Unbonded</i>	
<i>Series</i>	<i>Series</i>	<i>Construction</i>	<i>Construction</i>	
<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Total</i>
\$ 136,787	\$ 11,603	\$ -	\$ -	\$ 435,983
148,315	1,562	-	-	663,995
58,413	29,357	-	-	220,398
71,962	35,136	-	-	320,976
415,477	77,658	-	-	1,641,352
13,712	1,163	-	43,375	87,080
175,000	10,000	-	-	639,000
221,192	23,607	-	-	623,789
409,904	34,770	-	43,375	1,349,869
5,573	42,888	-	(43,375)	291,483
-	42,442	-	43,375	85,817
(5,573)	-	(42,442)	-	(69,836)
(5,573)	42,442	(42,442)	43,375	15,981
-	85,330	(42,442)	-	307,464
-	63,143	42,442	-	165,533
\$ -	\$ 148,473	\$ -	\$ -	\$ 472,997

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - As allocated to the Township of Casco
Year ended June 30, 2008

	Debt Service			
	1998 Series Fund	2000 Series Fund	2004 (95/97) Series Fund	Total
REVENUES				
Customer charges - debt service	\$ 60,358	\$ 221,467	\$ 52,476	\$ 334,301
Fees and permits	8,740	105,314	7,356	121,410
Interest	21,683	77,342	15,171	114,196
Other - special assessments	32,239	119,220	32,790	184,249
Total revenues	123,020	523,343	107,793	754,156
EXPENDITURES				
Public works	5,285	19,393	4,595	29,273
Debt service:				
Principal	57,000	260,000	104,000	421,000
Interest and fees	95,708	300,316	28,765	424,789
Total expenditures	157,993	579,709	137,360	875,062
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(34,973)	(56,366)	(29,567)	(120,906)
OTHER FINANCING SOURCES (USES)				
Repayment of advances from townships	(21,400)	(21,400)	(21,400)	(64,200)
Operating transfer out	(8,517)	(5,002)	(2,462)	(15,981)
Total other financing uses	(29,917)	(26,402)	(23,862)	(80,181)
NET CHANGE IN FUND BALANCES	(64,890)	(82,768)	(53,429)	(201,087)
FUND BALANCES - BEGINNING	85,953	132,797	175,288	394,038
FUND BALANCES - ENDING	\$ 21,063	\$ 50,029	\$ 121,859	\$ 192,951

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST
REQUIREMENTS - Series 1998 bonds
June 30, 2008

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2009	\$ 242,375	\$ 185,000	\$ 427,375
2010	234,050	200,000	434,050
2011	224,950	250,000	474,950
2012	213,450	500,000	713,450
2013	190,200	600,000	790,200
2014	162,000	600,000	762,000
2015	133,800	600,000	733,800
2016	105,300	600,000	705,300
2017	76,500	600,000	676,500
2018	51,000	600,000	651,000
2019	<u>25,500</u>	<u>600,000</u>	<u>625,500</u>
	<u>\$ 1,659,125</u>	<u>\$ 5,335,000</u>	<u>\$ 6,994,125</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST
REQUIREMENTS - Series 2000 bonds
June 30, 2008

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2009	\$ 433,750	\$ 400,000	\$ 833,750
2010	405,750	400,000	805,750
2011	377,750	400,000	777,750
2012	357,750	400,000	757,750
2013	337,750	400,000	737,750
2014	317,750	400,000	717,750
2015	297,750	450,000	747,750
2016	275,250	500,000	775,250
2017	250,250	600,000	850,250
2018	220,250	750,000	970,250
2019	182,750	1,155,000	1,337,750
2020	125,000	1,250,000	1,375,000
2021	<u>62,500</u>	<u>1,250,000</u>	<u>1,312,500</u>
	<u>\$ 3,644,250</u>	<u>\$ 8,355,000</u>	<u>\$ 11,999,250</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST
REQUIREMENTS - Series 2004 (1995 & 1997) refunding bonds
June 30, 2008

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2009	\$ 78,738	\$ 325,000	\$ 403,738
2010	68,175	305,000	373,175
2011	58,262	305,000	363,262
2012	48,350	305,000	353,350
2013	38,056	300,000	338,056
2014	27,556	295,000	322,556
2015	16,862	295,000	311,862
2016	5,800	75,000	80,800
2017	<u>2,800</u>	<u>70,000</u>	<u>72,800</u>
	<u>\$ 344,600</u>	<u>\$ 2,275,000</u>	<u>\$ 2,619,600</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST
REQUIREMENTS - Series 2004 (1999) refunding bonds
June 30, 2008

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2009	\$ 215,680	\$ 225,000	\$ 440,680
2010	208,930	300,000	508,930
2011	199,180	315,000	514,180
2012	186,580	465,000	651,580
2013	167,980	460,000	627,980
2014	149,580	455,000	604,580
2015	131,380	450,000	581,380
2016	108,880	500,000	608,880
2017	83,880	500,000	583,880
2018	58,880	495,000	553,880
2019	39,080	485,000	524,080
2020	<u>19,680</u>	<u>480,000</u>	<u>499,680</u>
	<u>\$ 1,569,710</u>	<u>\$ 5,130,000</u>	<u>\$ 6,699,710</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST
REQUIREMENTS - Series 2006 bonds
June 30, 2008

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2009	\$ 22,783	\$ 20,000	\$ 42,783
2010	21,686	20,000	41,686
2011	20,588	20,000	40,588
2012	19,489	20,000	39,489
2013	18,254	25,000	43,254
2014	16,882	25,000	41,882
2015	15,509	25,000	40,509
2016	14,137	25,000	39,137
2017	12,764	25,000	37,764
2018	11,392	25,000	36,392
2019	10,019	25,000	35,019
2020	8,647	25,000	33,647
2021	7,274	25,000	32,274
2022	6,039	20,000	26,039
2023	4,941	20,000	24,941
2024	3,843	20,000	23,843
2025	2,745	20,000	22,745
2026	1,647	20,000	21,647
2027	549	20,000	20,549
	<u>\$ 219,188</u>	<u>\$ 425,000</u>	<u>\$ 644,188</u>

February 6, 2009

To the Board of Trustees
South Haven Township and Casco Township Water and Sewage Treatment Authority

We have audited the financial statements of the governmental activities and each major fund of the South Haven Township and Casco Township Water and Sewage Treatment Authority for the year ended June 30, 2008, and have issued our report thereon dated February 6, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 2, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the South Haven Township and Casco Township Water and Sewage Treatment Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2008. We noted no transactions entered into by the South Haven Township and Casco Township Water and Sewage Treatment Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Authority's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the South Haven Township and Casco Township Water and Sewage Treatment Authority's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the South Haven Township and Casco Township Water and Sewage Treatment Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Authority has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Authority has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the South Haven Township and Casco Township Water and Sewage Treatment Authority and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.